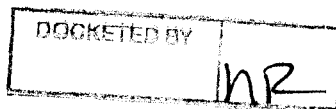




BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

Arizona Corporation Commission
DOCKETED
JUN 27 2013



IN THE MATTER OF SULPHUR SPRINGS
VALLEY ELECTRIC COOPERATIVE,
INC.'S APPLICATION FOR APPROVAL OF
ITS 2012-2013 ELECTRIC ENERGY
EFFICIENCY IMPLEMENTATION PLAN

DOCKET NO. E-01575A-11-0223

DECISION NO. 73930

ORDER

Open Meeting
June 11 and 12, 2013
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

INTRODUCTION

1. Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or the "Company") is certificated to provide electric service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").

2. On May 31, 2011, SSVEC filed its 2012-2013 Electric Energy Efficiency Implementation Plan ("EE Plan"). On July 21, 2011, SSVEC filed an amendment to the application adding another program to the plan. On February 29, 2012, at the request of the Commission Staff, SSVEC updated its EE Plan and filed the revised plan in Docket No. E-01575A-11-0223. On August 2, 2012, SSVEC filed an amendment requesting a waiver from meeting the cumulative Electric Energy Efficiency Standards ("EEES"). Specifically, SSVEC requested a waiver similar to the provision that was granted to the Cooperatives by the Commission under the Renewable Energy Standard and Tariff ("REST") where SSVEC will agree to file a biannual EE Plan in compliance

1 with the EEES that will contain energy efficiency goals, a budget, and a surcharge that is
2 appropriate for its members and service area.

3 3. SSVEC is a member-owned Arizona non-profit cooperative with its principal
4 business office in Willcox, Arizona. SSVEC is a public service corporation providing electric
5 distribution service to approximately 51,000 customers in parts of Cochise, Santa Cruz, Pima and
6 Graham counties. Of that total, approximately 41,400 are Residential customers. The remainder is
7 a mix of Commercial, Industrial, Irrigation and Municipal customers. SSVEC's Board of Directors
8 oversees all aspects of SSVEC's operations and approves the annual operating budget.

9 EE PLAN OVERVIEW

10 4. SSVEC has had in place a Demand Side Management ("DSM") Plan for over thirty
11 years. Prior to SSVEC's most recent rate case (Decision No. 71274), SSVEC reported every six
12 months the expenditures associated with the DSM activity and these expenditures were approved by
13 the Commission for recovery through SSVEC's purchased power adjustor.

14 5. As indicated in Decision No. 71274, SSVEC's current DSM Plan was approved at a
15 budget level of \$704,500. The current DSM surcharge was set at the time of the rate case at
16 \$0.00088 per kWh with the stipulation that SSVEC could file to adjust this surcharge annually in
17 June as needed. Actual DSM surcharge collections for 2010 totaled \$855,898 which included a
18 carryover from 2009 and repayments on loans during 2010. Actual DSM surcharge collections for
19 2011 totaled \$1,086,314 which included a carryover from 2010 and repayments on loans during
20 2011. Actual DSM surcharge collections for 2012 totaled \$1,420,900 which included a carryover
21 from 2011 and repayments on loans during 2012. With the latest surcharge adjustor filing on
22 March 1, 2012, SSVEC has requested the DSM surcharge remain at \$0.00088 per kWh.

23 6. SSVEC has also requested the proposed 2012-2013 EE Plan be rolled forward to
24 reflect an energy efficiency plan proposed for 2013 and 2014 with the budget dollars proposed to be
25 \$1,466,157 for 2013 and \$1,251,000 for 2014.

26 7. The SSVEC EE Plan includes a continuation of the current cost-effective energy
27 efficiency programs already in place and a proposal to implement new programs. Included in the
28 new programs are: Heat Pump Water Heaters, On-Demand Hot Water Circulating Pumps,

Commercial and Industrial (“C&I”) Lighting Incentive, Refrigerator Recycling Program, and the Low Income Weatherization Program. SSVEC has also filed to continue its C&I Energy Efficiency Improvement Loan program as part of its EE Plan and to implement a Meter Miser Guide program which will be a new page in the monthly customer bill. The SSVEC EE Plan includes a broad spectrum of programs targeted to the various customer segments as detailed below.

Residential Programs

- Energy Efficient Improvement Loan Program
- Touchstone Energy Efficient Home Program
- Energy Audits
- Meter Miser Guide
- Refrigerator Recycling Program
- Low Income Weatherization Program
- On-Demand Hot Water Circulating Pump Program

Non-Residential Programs

- Energy Efficient Improvement Loan Program
- Energy Audits
- Lighting Incentive Program

Both Residential & Non-Residential Programs

- Energy Efficient Water Heater Rebate Program
- Energy Efficient Heat Pump Program

The EE Plan includes new measures for existing programs in addition to adding new programs, detailed in the table below.

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2012-2013 Proposed Energy Efficiency Program Modifications or Additions

Residential Energy Efficient Improvement Loan Program	
Residential Home Improvement Loans	<ul style="list-style-type: none"> Continue operating this program as it currently is but increase the budget to allow for 30-40 homes being able to take advantage of no interest loans.
Residential Touchstone Energy Efficient Home Program	
Home Efficiency	<ul style="list-style-type: none"> Decrease the budget while keeping the incentive level the same to take into consideration the downturn in new home construction.
Residential Energy Management Program	
Energy Audits	<ul style="list-style-type: none"> Continue performing home energy audits with funds provided by the DSM surcharge and the American Recovery and Reinvestment Act ("ARRA").
Meter Miser Guide	<ul style="list-style-type: none"> Implement a new customer awareness program utilizing bill inserts which make comparisons of household usage to other households with similar age and size.
Residential Refrigerator Recycling Program	
Appliance Recycling	<ul style="list-style-type: none"> Add a program which encourages customers to recycle older, less efficient refrigerators currently being used as a backup refrigerator.
Residential Low Income Weatherization Program	
Home Weatherization	<ul style="list-style-type: none"> Add a program which works with the Housing Authority of Cochise County to weatherize low income households in the SSVEC service area.
Residential On-Demand Hot Water Circulating Pump Program	
Water Heating	<ul style="list-style-type: none"> Add a program offering rebates to customers who install an on-demand hot water circulating pump onto their existing water heater.
C&I Energy Efficient Improvement Loan Program	
C&I Improvement Loans	<ul style="list-style-type: none"> Implement this program as an energy efficiency program rather than a pilot program allowing for commercial and industrial customers to take advantage of no interest loans.
C&I Energy Management Program	
Energy Audits	<ul style="list-style-type: none"> Continue performing energy audits for the 50 largest customers promoting energy saving concepts and new technologies.
C&I Lighting Incentive Program	
Lighting	<ul style="list-style-type: none"> Implement a new program offering a per watt incentive for retrofits made to existing commercial and industrial lighting fixtures.
Residential & Non-Residential Energy Efficient Water Heater Program	
Water Heating	<ul style="list-style-type: none"> Modify the requirements per water heater to incorporate the size of the tank when considering the minimum rating needed to receive an incentive.
Residential & Non-Residential Energy Efficient Heat Pump Program	
HVAC	<ul style="list-style-type: none"> Continue with the current program offering \$500 rebates for installing an energy efficient heat pump.
Water Heating	<ul style="list-style-type: none"> Add a measure for a heat pump water heater with the incentive of \$500 paid to the customer after installation.

1 8. The Commission approved the EEES in Decision No. 71819 on August 10, 2010, in
2 Docket No. RE-00000C-09-0427. The rules are designed to cause affected utilities to achieve
3 energy savings through cost-effective energy efficiency programs, in order to ensure reliable
4 electric service at reasonable rates and costs. As established in these rules, "energy efficiency"
5 means the production or delivery of an equivalent level and quality of end-use electric service using
6 less energy, or the conservation of energy by end-use customers. Energy efficiency is a type of
7 DSM. The rules also identify as DSM any measure designed to result in reduced peak demand or
8 shifting of electricity consumption to off peak periods and combined heat and power used to
9 displace space heating, water heating, or another load.

10 9. The EEES became effective January 1, 2011. The EEES clarified that electric public
11 service corporations had to file their initial energy efficiency plans by the end of January 2011 and
12 electric distribution cooperatives had until June 1, 2011 to file their respective plans. In addition,
13 A.A.C. R14-2-2418 requires that cooperatives obtain at least 75% of the savings goals specified in
14 A.A.C. R14-2-2404 which means the savings goals in the EEES for SSVEC would be 0.94% in
15 2011, 2.25% in 2012, 3.75% in 2013, and 5.44% in 2014. In accordance with A.A.C. R14-2-
16 2405(C), SSVEC notified customers of its 2012-2013 EE Plan filing in the October 2012 billing
17 cycle.

18 10. SSVEC has had in place Commission-approved DSM programs for over thirty years
19 including programs such as free residential and business energy audits, free rate analysis, rebates
20 for the purchase of specified appliances whose Seasonal Energy Efficiency Ratio ("SEER")
21 exceeded the national standards. SSVEC has also developed an aggressive load shedding program
22 for its irrigation members through approved irrigation rates. In the EE rules, SSVEC cannot
23 include the savings from the programs in existence prior to the EE rules going into effect until 2016
24 and of the kWh savings from 2004-2010, up to 4% of 2005 retail sales can be counted toward
25 meeting the EE Standard. As can be seen on the table below with information based on SSVEC's
26 most recently filed Annual DSM Progress Report filed on February 27, 2013, SSVEC has achieved
27 a cumulative annual EE savings as a percent of previous year's retail sales of 0.047% as of the end
28 of 2012.

SSVEC, INC. REQUIRED ENERGY EFFICIENCY STANDARDS					
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actual/Projected Sales (kWh)*	819,287,674	835,766,567	853,740,000	887,899,000	906,249,000
Required Savings (%)**		0.94%	2.25%	3.75%	5.44%
Required Savings From Prior Year Sales (kWh)		7,680,822	18,804,748	32,015,250	48,279,508
Existing Energy Efficiency Program Savings (kWh)***		243,162	150,536	150,536	150,536
Proposed New Program Energy Efficiency Savings (kWh)				3,199,296	1,456,479
Total Savings Per Year (kWh)		243,162	150,536	3,349,832	1,607,015
Total Cumulative Savings (kWh)		243,162	393,698	3,743,530	5,350,545
Savings (%)		0.030%	0.047%	0.438%	0.603%
Difference Between Required Savings and Projected/Actual Savings(kWh)		7,437,660	18,411,050	28,271,720	42,928,963

*2010 and 2011 sales represent actual sales collected from annual reports. 2012 sales represent actual sales provided by SSVEC. 2013-2014 sales are projections of kWh sales provided by SSVEC.

**Cooperatives are only required to meet 75% of the percentage savings goals.

***2011 and 2012 kWh savings are based on year end DSM report data.

PROPOSED PROGRAM CHANGES

11. SSVEC's EE Plan is comprised of several new programs falling in both the residential and non-residential categories. SSVEC has designed a portfolio of DSM programs designed to deliver electricity savings to meet, or come close to meeting, annual DSM energy savings goals as outlined in the EEES. Due to the delay in processing of the EE Plan, SSVEC has requested the previously filed 2012-2013 EE Plan be considered the 2013-2014 Energy Efficiency Plan.

A. Residential Programs: Energy Efficient Improvement Loan Program

12. SSVEC is requesting budget approval to continue this program.

Current Program

13. This loan program is designed to offer residential customers the opportunity to improve the thermal efficiency of their homes. The customer obtains a bid for upgrading attic insulation, replacing non-conforming windows, sealing cracks and penetrations, and adding

1 insulation to exterior walls. After work has been completed and the modifications certified by
2 licensed contractors, SSVEC will issue a loan check to the customer. If the customer's loan amount
3 is at or above \$2,000 on any of the aforementioned improvements, then the customer may also
4 replace non-conforming HVAC systems with an \$8,000 maximum loan amount toward the HVAC
5 equipment.

6 14. In 2010, 19 loan projects were completed with an average loan amount of \$13,635.
7 In 2011, 15 loan projects were completed with an average loan amount of \$14,482. In 2012, 15
8 loan projects were completed with an average loan amount of \$11,087.

9 *Proposed Changes*

10 15. No new measures or changes were made to this program.

11 *Proposed Budget*

12 16. SSVEC has proposed increasing the budget to \$339,000 in 2013 and \$375,000 in
13 2014 to allow for SSVEC to offer loans to 30-40 homes each year.

14 *Cost Effectiveness*

15 17. Staff reviewed the 2010-2012 DSM Reports to verify the structure and effectiveness
16 of the current program. SSVEC has issued either 36 month or 72 month loans that are interest free
17 but carry a 1.5% per month late payment charge. SSVEC has not had any members default on their
18 loans and protects the loans by placing a lien on the customer's property.

19 *Recommendations*

20 18. The last approved budget for this program was in Decision No. 71274 and was equal
21 to \$200,000. The proposed budget for 2013 and 2014 as noted above is \$339,000 and \$375,000
22 respectively, which represents a 69.5% increase for 2013. The estimated kWh (including therm
23 equivalents) for 2012 from the Residential Energy Efficient Loan Improvement Program is
24 approximately 102,000 kWhs with improvements made that span 20+ years.

25 19. Given that the most recent DSM report data shows that SSVEC did exceed the prior
26 budget in 2011 and was slightly less than budget in 2012 along with the fact that SSVEC intends to
27 grow this program as they are still finding contractors who are unaware of the availability of loan

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1 funding, Staff has recommended the continuation of the current program along with the increase in
2 the budget to \$339,000 in 2013 and 2014.

3 B. Residential Programs: Touchstone Energy Efficient Home Program

4 20. SSVEC is requesting budget approval to continue this program.

5 *Current Program*

6 21. This program is designed to encourage builders to construct new homes in a manner
7 that exceeds local building codes and to meet the requirements of the Touchstone Energy Efficient
8 Home Program resulting in energy savings over the life of the home. SSVEC has established
9 prescriptive thermal criteria or heat gain characteristics that builders are required to meet or exceed
10 to qualify for the \$1,500 rebate.

11 22. In 2010, 50 homes were certified while in 2011, 25 homes were certified. In 2012,
12 24 homes were certified.

13 *Proposed Changes*

14 23. No new measures or changes were made to this program.

15 *Proposed Budget*

16 24. SSVEC has proposed decreasing the budget to \$50,000 in 2013 and 2014 to account
17 for the reductions in new housing market projections.

18 *Cost Effectiveness*

19 25. Staff reviewed the 2010-2012 DSM Reports to verify the structure and effectiveness
20 of the current program.

21 *Recommendations*

22 26. The last approved budget for this program was \$175,000. The proposed budget for
23 2013 and 2014 as noted above is \$50,000 which represents a 71% decrease. The estimated kWh
24 savings for 2012 from the Residential Touchstone Energy Efficient Home Program is 44,609 kWhs
25 with improvements made that span the life of the home. Staff agrees with SSVEC in its assessment
26 that the new home building market has slowed in its service territory. Staff has recommended the
27 continuation of the current program along with the decrease in the budget to \$50,000 in 2013 and
28 2014.

1 C. Residential Programs: Residential Energy Management

2 27. SSVEC is requesting budget approval to continue this program and to add a new
3 measure as part of this program.

4 *Current Program*

5 28. The existing piece of this program has two facets: the first aspect of the program is
6 designed to respond to customer requests for usage information and to educate customers on ways
7 to reduce or manage their energy bills. The second aspect of the program is the completion of
8 home energy audits. The audits are funded in part by ARRA Smart Grid Grant money.

9 29. SSVEC began conducting residential audits in May of 2011. In 2011, 468 home
10 audits were completed. In 2012, 1,363 home audits were completed.

11 *Proposed Changes*

12 30. SSVEC has proposed adding a new measure to this program referred to as the Meter
13 Miser Guide ("MMG"). The MMG will compare each customer's bill and usage to those
14 customers with a home of similar age and size. SSVEC believes that customer awareness programs
15 provide customers with comparative usage information and energy saving tips which in turn lead to
16 a reduction in energy consumption for residential customers. Building upon the existing energy
17 saving communication program currently in place at SSVEC which uses bill inserts, consumer
18 magazine, radio, and newspaper ads, SSVEC is proposing to incorporate the MMG into the
19 customer's bill. The MMG would be a new page in the residential bill with the frequency being
20 one report during the winter heating season and one during the summer cooling season.

21 31. Prior to implementing the MMG in the customers' bills, SSVEC will publish an
22 article in the Currents magazine announcing the new insert and explaining how to read and interpret
23 the data on the insert.

24 *Proposed Budget*

25 32. SSVEC has proposed increasing the budget to \$80,000 in 2013 and 2014. The
26 increase accounts for approximately \$10,000 of an increase for development of the MMG (which
27 will occur in-house) and \$10,000 for increased mailing costs.

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33. The budget dollars allocated to the existing program are combined with a 50/50 matching for the funds from the ARRA Smart Grid Grant.

Cost Effectiveness

34. Staff's review of the benefits and costs associated with the proposed new measure (MMG) in the Residential Energy Management program found that the measure is cost-effective. In the analysis, Staff considered a 2% annual energy savings based on changes to consumer behavior with the savings only valid for a period of one year. The long-term goal for this measure would be a roll-out of the MMG to all residential customers. Initial reports will be to a smaller population testing the readability and ease in use by customers. Realistically, not all residents who receive an MMG will implement any changes to behavior. SSVEC estimated 20% of its residential members would participate in some type of behavior modification. Based on the fact that SSVEC is planning two mailings each year to start the program, Staff lowered the estimate to 10% participation in the savings and the full costs reported below.

Program	# of Units	Present Value DSM Savings	Present Value DSM Cost	Benefit/Cost Ratio
Residential Meter Miser Guide	4,138	\$26,064.24	\$19,506.05	1.34

Recommendations

35. The last approved budget for this program was \$50,000. The proposed budget for 2013 and 2014 as noted above is \$80,000 which represents a 60% increase where the majority of the increase is attributable to the proposed new measure. Staff recognizes that quantifying energy savings from residential audits is difficult without a detailed follow-up with each customer on what improvements were actually implemented. SSVEC is working to estimate savings based on Department of Energy ("DOE") guidelines. Staff also recognizes the benefits in educating residential customers on ways to improve efficiency in the home and has recommended the continuation of the current program along with implementing the new Meter Miser Guide and increasing the budget as proposed.

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D. Residential Program: Refrigerator Recycling Program

36. SSVEC is proposing a new program offering incentives designed to decrease energy usage by incenting residential customers to recycle secondary old refrigerators. These appliances will be recycled through a process that captures all hazardous materials and recycles as much material as possible (>95% will be recycled).

37. The marketing and advertising of this program will be incorporated into the current marketing activities completed by SSVEC. The appliance pickup and recycling services as well as the tracking of the appliances recycled and the savings associated with such recycling will be managed by JACO, a third party contractor. SSVEC has proposed to offer a \$30 rebate to its customers per unit recycled to incent participation in the program. SSVEC plans to offer these recycling rebates until such time as the budget for the program is exhausted.

Proposed Budget

38. SSVEC has proposed a budget of \$70,000 in 2013 and \$67,000 in 2014.

Cost Effectiveness

39. Staff's review of the benefits and costs associated with the proposed Refrigerator Recycling Program found that the program is cost-effective. In the analysis, based on information supplied by JACO, Staff utilized an annual per unit savings of 656 kWhs and 0.07 kW. With an estimate of 1% of total residential customers wanting to recycle older refrigerators, SSVEC estimates 408 refrigerators could be recycled each year.

Program	# of Units	Present Value DSM Savings	Present Value DSM Cost	Benefit/Cost Ratio
Refrigerator Recycling Program	408	\$61,657.32	\$52,598.56	1.17

Recommendations

40. Given the results of Staff's cost-benefit analysis, Staff has recommended approval of the C&I Refrigerator Recycling Program with a few modifications. After discussions with other utilities, Staff has noted a trend of increased incentive dollars needed to incent customers to recycle secondary older refrigerators. Given this new information, Staff has recommended an increase in the budgeted incentive dollars for this program to \$50 per refrigerator (an increase of \$20 per

1 refrigerator) and proposes SSVEC adjust its proposed budget as follows: \$42,024 for Direct
2 Implementation, \$8,160 for marketing, and \$20,400 for incentives for a total budget of \$70,584
3 each year. In addition, a portion of the energy efficiency administrative budget would be split
4 among all of the cost-effective programs.

5 E. Residential Programs: Low Income Weatherization Program

6 41. SSVEC has proposed adding a new program offering funds to assist in the
7 weatherization of homes for low income customers in the SSVEC service area. The program is
8 designed to improve energy efficiency in homes in the SSVEC service area by assisting low income
9 residents in reducing energy use and lowering their utility bills by implementing year-round
10 weatherization measures. This program will be offered at no cost to eligible SSVEC customers.

11 42. Rather than operate this program on its own, SSVEC is proposing to utilize services
12 already available by providing a lump sum of dollars each year to support existing weatherization
13 programs offered in SSVEC's service territory by the non-profit organization Housing Authority of
14 Cochise County ("HACC"). The funding will allow for additional homes to receive weatherization
15 assistance from HACC.

16 43. To qualify for this program, the applicant will complete an SSVEC Energy
17 Efficiency Improvement Grant Program application. Applicants meeting all of the above criteria
18 will be placed on a waiting list. HACC will work with the applicant to assess the needs and
19 facilitate the contractors. HACC will market the program through a variety of methods:
20 distribution of brochures, direct mailings, news releases, public presentations, and promotions to
21 other organizations. HACC will track the work done and the cost associated with the work
22 completed. Payments to contractors will happen once all of the work is completed and the SSVEC
23 Project Close-Out form is completed.

24 *Proposed Budget*

25 44. SSVEC has proposed a budget of \$125,000 in 2013 and \$50,000 in 2014.

26 *Cost Effectiveness*

27 45. Staff's review of the benefits and costs associated with the new Low Income
28 Weatherization program found that the measure is cost-effective with a few modifications. In the

1 analysis, Staff considered a dollar contribution per customer equal to \$1,500 rather than a lump sum
2 amount paid to HACC. At the contribution level of \$1,500 per household, the benefit-cost ratio is
3 1.12.

4 *Recommendations*

5 46. The proposed budget is \$125,000 for 2013 and \$50,000 for 2014 as noted above.
6 Given the modification to contribute funds per household equal to \$1,500 rather than a lump sum,
7 Staff has recommended the budget for 2013 be increased to \$150,000 for 2013 to allow for
8 weatherization efforts on 100 houses. Staff has also recommended the budget for 2014 be
9 increased to \$75,000 to allow for weatherization efforts on 50 houses in year two of the program.

10 47. After speaking with HACC about the scope of weatherization HACC is able to
11 complete and the service territory HACC currently serves, Staff is concerned that HACC will not
12 be able to meet the requirements of the Low Income Weatherization program for SSVEC. HACC
13 currently provides emergency repair to homes in unincorporated areas of southeastern Arizona. As
14 some of SSVEC's members reside within city limits, these customers would be outside the current
15 scope of reach for HACC. In addition, HACC has limited staff/resources to be able to complete the
16 number of households in the recommended budget each year for SSVEC's Low Income
17 Weatherization program.

18 48. Given these concerns, Staff contacted the non-profit organization Southeastern
19 Arizona Community Action Program ("SEACAP") to inquire about its ability to assist SSVEC with
20 implementing a Low Income Weatherization program. SEACAP currently works with several
21 regulated utilities within the state of Arizona to facilitate weatherization programs; thus Staff has
22 recommended that SSVEC utilize SEACAP to implement its Low Income Weatherization program.

23 49. Staff has also recommended that this program be offered at no cost to eligible
24 SSVEC customers (eligible customers will be households at or below 200% of Federal Poverty
25 Guidelines). To qualify for this program, the applicant will need to contact SEACAP for an
26 application. A SEACAP representative would then work with the customer to determine the
27 weatherization measures necessary including: caulking, weather-stripping, attic/wall and duct
28 insulation, and any other energy efficiency measures that may be needed.

1 F. Residential Programs: On-Demand Hot Water Circulating Pump

2 50. SSVEC is proposing a new program offering rebates to customers who install an on-
3 demand hot water circulating pump on their existing water heaters. The intent behind installing an
4 on-demand hot water circulating pump is to capture some of the energy loss and water loss
5 experienced with a standard water heating system. In most standard systems, the timer pump on the
6 water heater is operating 16 hours per day, 365 days per year pumping water at 1 gallon per minute
7 (gpm) and each gallon losing 5°F during one circulation event.

8 51. The addition of an on-demand hot water circulating pump allows for the standing
9 water from the hot-water pipes to be recirculated through the cold-water pipes and back to the tank,
10 leaving a constantly clear line for the next hot-water usage. The time it takes to get hot water to a
11 desired location will vary, but typically with an on-demand hot water circulating pump hot water
12 will arrive in 15 to 30 seconds without wasting water and only using a small amount of electricity.

13 52. SSVEC is proposing that after installation of the on-demand hot water circulating
14 pump, the customer would fill out a rebate request form and provide an invoice from the
15 plumber/installer if one was used. The rebate would be paid directly to the customer at that point in
16 time.

17 *Proposed Budget*

18 53. SSVEC has proposed a budget for rebates of \$25,000 in 2013 and \$15,000 in 2014.

19 *Cost Effectiveness*

20 54. Staff's review of the benefits and costs associated with the proposed new program
21 found that the program is not cost effective at this point in time with a benefit-cost ratio of 0.70.
22 While Staff recognizes there may be significant water conservation benefits with the addition of an
23 on-demand hot water circulating pump, Staff believes the electric energy savings combined with
24 the potential for water savings do not outweigh the cost of the product available to the general
25 public.

26 *Recommendations*

27 55. Staff has not recommended approval of the on-demand hot water circulating pump
28 as a new energy efficiency program in the current energy efficiency portfolio. The cost for the

1 pump is estimated by SSVEC to be anywhere from \$250-\$300, based on the availability of a
2 product currently at only one retail store in Sierra Vista, AZ. This product is a new product which
3 Staff believes may still be undergoing testing. Staff's analysis utilized a cost estimate of around
4 \$500 for a pump more commonly available at the larger home improvement stores. Staff is also
5 concerned that the actual energy savings resulting from the installation of an on-demand hot water
6 circulation pump cannot be validated at this point in time.

7 56. As originally submitted, SSVEC requested approval to offer varying rebates
8 depending upon whether the customer was currently running a natural gas powered water heater
9 versus an electric powered water heater. Staff believes that if at a future point in time this program
10 is implemented, SSVEC should be limited to offering rebates to only SSVEC members currently
11 running an electric powered water heater.

12 G. C&I Programs: Energy Efficient Improvement Loan Program

13 57. SSVEC is requesting budget approval to continue this program as part of its energy
14 efficiency portfolio rather than continue as a pilot program.

15 *Current Program*

16 58. The purpose of this program is to help fund energy projects that demonstrate a
17 reasonable return on investment from energy savings. This program was approved as a pilot
18 program in 2009 in Decision No. 71274. The program was approved for a period of 16 months.
19 Following the 12th month of the program, SSVEC was to make a filing detailing its experience with
20 the program and a recommendation regarding continuation of the program.

21 59. In March of 2011, SSVEC filed an update to the program detailing the slow growth
22 in this program due to the downturn in the economy and the reluctance of commercial and
23 industrial customers to spend money on improvements—even with interest free funding. At that
24 time, SSVEC requested to continue the program through the end of 2011 with no additional
25 funding.

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1 *Proposed Changes*

2 60. No new measures or changes were made to this program. However, SSVEC has
3 requested this program be considered as part of its Energy Efficiency program portfolio rather than
4 a pilot program.

5 *Proposed Budget*

6 61. SSVEC has proposed increasing the budget to \$250,000 in 2013 and \$220,000 in
7 2014.

8 *Cost Effectiveness*

9 62. Staff reviewed the 2010-2012 DSM Reports to verify the structure and effectiveness
10 of the current program.

11 *Recommendations*

12 63. The last approved budget for this program was \$150,000. The proposed budget for
13 2013 as noted above is \$250,000 which represents a 67% increase. Staff recognizes that the state of
14 the economy may have affected the implementation of this pilot program. Staff also recognizes that
15 if the proposed C&I Lighting Incentive program is approved, commercial and industrial customers
16 would be able to get assistance in paying for the commercial retrofit so the popularity of the
17 program may increase over the next couple of years. However, Staff also realizes that the actual
18 dollars spent on this program for 2012 are estimated to be one-third of the approved budget. While
19 Staff understands the value in the Energy Efficient Improvement Loan Program and that there may
20 be increased interest in this program with the implementation of the C&I Lighting Incentive
21 program, Staff has recommended that the growth be evident prior to the substantial increase in the
22 budget.

23 64. Given all of the considerations, Staff has recommended that SSVEC implement the
24 C&I Energy Efficient Loan Improvement Program in its Energy Efficiency portfolio but the budget
25 remain at the current approved level of \$150,000. If customer interest begins to exceed budget for
26 this program, SSVEC can file to increase the budget for this program in a future energy efficiency
27 implementation plan filing.

28 ...

1 H. C&I Programs: C&I Energy Management

2 65. SSVEC is requesting budget approval to continue this program.

3 *Current Program*

4 66. This program has been in place for the past eleven years and was previously referred
5 to as the Key Account Program. The program is designed to provide detailed energy reports to
6 approximately fifty of the largest customers and monitor over 350 individual accounts for these
7 large customers. The reports are designed to help the customer identify problems and validate
8 energy saving measures. The reports are emailed to the customers each month. In addition, an
9 email newsletter is provided fourteen times per year to promote new energy saving technologies.
10 Energy audits, bill analysis, and rate analysis may also be performed as part of this program.

11 *Proposed Changes*

12 67. No new measures or changes were made to this program.

13 *Proposed Budget*

14 68. SSVEC has proposed increasing the budget to \$12,000 in 2013 and 2014.

15 *Cost Effectiveness*

16 69. Staff reviewed the sample reports and newsletter included in the EE Plan filing to
17 verify the structure and effectiveness of the current program.

18 *Recommendations*

19 70. The last approved budget for this program was \$4,500. The proposed budget for
20 2013 as noted above is \$12,000 which represents a 167% increase. Staff recognizes the value in
21 maintaining a positive working relationship with the larger usage customers and helping those
22 customers to reduce energy consumption. Staff has recommended continuation of the current
23 program along with approval of the increase in the budget dollars to \$12,000 per year.

24 I. C&I Programs: Commercial & Industrial Lighting Incentive

25 71. SSVEC is proposing a new program offering incentives to small commercial
26 customers who are interested in a lighting retrofit where most or all of the permanent fixtures in the
27 building are replaced with more efficient technology. At a minimum, a commercial lighting retrofit
28 would involve a lamp and ballast being replaced for each fixture. The commercial lighting retrofit

1 would save energy usage for a small commercial facility through the introduction of more efficient
2 lamps which may be used close to 55 hours per week.

3 72. SSVEC is proposing a \$0.20 per watt incentive. The customer would be able to
4 choose the lighting technology which makes the most sense for its business (CFL or LED). A
5 lighting project for an office would be different than lighting options for a warehouse. Given the
6 range in options, the proposed incentive is based on total watts saved from the retrofit. The
7 contractor involved in the retrofit will detail the number of existing fixtures, the watts per fixture,
8 and the total watts of the existing lighting load. The contractor will also provide a complete listing
9 of the new fixtures including the watts per fixture and the new total watts of the lighting load. The
10 difference in watts between the existing lighting load and the replacement lighting load will be used
11 to determine the incentive payout. Incentives are paid to the customer rather than the contractor.

12 *Proposed Budget*

13 73. SSVEC has proposed a budget of \$125,000 in 2013 and \$70,000 in 2014.

14 *Cost Effectiveness*

15 74. Staff's review of the benefits and costs associated with the proposed C&I Lighting
16 Incentive program found that the program is cost-effective. In the analysis, Staff used a sample
17 small commercial retrofit involving the replacement of 75 fixtures with 4-34 watt T12 lamps and
18 magnetic ballast with 75 fixtures with 2-32 watt T8 lamps and electronic ballast. The resulting watt
19 savings from this sample customer was 6,150 watts (6.15 kW). The customer incentive in this
20 example would be \$1,230 on a retrofit with an estimated cost of \$2,700 for the replacement of the
21 lamps and ballasts. The number of retrofits which could be funded by the proposed budget will
22 vary depending upon the size and extensiveness of the replacements. Staff's results below are
23 based on an estimate of 100 incentive payouts in 2013.

24

Program	# of Units	Present Value DSM Savings	Present Value DSM Cost	Benefit/Cost Ratio
C&I Lighting Incentive Program	100	\$425,635.48	\$288,707.90	1.47

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Recommendations

75. Given the results of Staff's cost-benefit analysis, Staff has recommended approval of the C&I Lighting Incentive Program.

J. Residential & Non-Residential Programs: Energy Efficient Water Heater Rebate Program

76. SSVEC is requesting budget approval to continue this program with a slight modification.

Current Program

77. This program was approved by the Commission in Decision No. 71274 dated September 8, 2009. The program offers \$100 rebates for customers purchasing and installing a 0.90+ efficient electric water heater.

Proposed Changes

78. As part of the decision in SSVEC's last rate case, the Commission ordered, that, with the next DSM Implementation Plan, SSVEC revise the requirements for customers qualifying for a rebate on their electric water heater to match the table below. The change was to incorporate the size of water heater into the consideration for the minimum efficiency rating needed to receive the rebate. No other changes are being proposed for this program at this point in time.

Rated Storage Volume (gallons)	Minimum Standard	Minimum Rating to Receive Incentive
30	0.93	0.94
40	0.92	0.93
50	0.90	0.92
80	0.86	0.88

Proposed Budget

79. The 2013-2014 proposed budget for the Residential Water Heater Rebate Program is \$40,000 in 2013 and \$32,000 in 2014 providing for 400 rebates in 2013 and 320 rebates in 2014. Program Development, Administration and DSM Advertising Expenses would be allocated across all of the cost-effective programs.

Cost Effectiveness

80. Staff reviewed the 2010-2012 DSM Reports to verify the structure and effectiveness of the current program.

1 *Recommendations*

2 81. The last approved budget for this program was in Decision No. 71274 and was equal
3 to \$25,000 for 2010. The proposed budget for this program for 2013 is \$40,000 which represents
4 an increase of 60%. Based on the fact that there may be an increase in interest in commercial
5 products with the marketing of the commercial loan program, Staff has recommended increasing
6 the budget as proposed.

7 K. Residential & Non-Residential Programs: Energy Efficient Heat Pump Program

8 82. SSVEC is requesting budget approval to continue this program as part of its energy
9 efficiency portfolio and add a new measure to the program.

10 *Current Program*

11 83. The existing program is geared toward those members considering the purchase of a
12 new heating/cooling system. The current program offers a \$500 rebate on the installation of an
13 energy efficient heat pump system in place of an existing electric heating/cooling system. To
14 receive the rebate, the customer fills out a rebate request (available on the SSVEC website) and
15 provides the request along with a copy of the receipt or installation invoice to SSVEC. The rebate
16 is paid to the customer after the installation is complete.

17 *Proposed Changes*

18 84. SSVEC has proposed adding a new measure to this program to incorporate a rebate
19 for the installation of an energy efficient heat pump water heater when replacing an existing
20 ...
21 electric water heater. SSVEC is proposing a \$500 rebate and would handle the payment of the
22 rebate in the same manner as currently paying rebates on heat pump installations.

23 *Proposed Budget*

24 85. SSVEC has proposed increasing the budget to \$150,000 in 2013 and \$125,000 in
25 2014.

26 *Cost Effectiveness*

27 86. Staff's review of the benefits and costs associated with the proposed new measure
28 for a heat pump water heater in the energy efficient heat pump program found that the measure is

1 cost-effective. In the analysis, Staff considered a standard replacement for an electric water heater
2 would cost the customer approximately \$400. The cost of the heat pump water heater is estimated
3 to be \$1,399. The incremental cost to the customer is \$999. With a proposed rebate of \$500, the
4 customer would be spending out of pocket close to \$500.

5 87. Heat Pump Water Heaters use roughly 50% less energy than standard resistive
6 electric water heaters. According to available information on the Energy Star website, the Heat
7 Pump Water Heaters save an estimated 2,000 kWh per year but will vary depending upon the size
8 of family and the amount of hot water being used.

9

Program	# of Units	Present Value DSM Savings	Present Value DSM Cost	Benefit/Cost Ratio
Heat Pump Water Heater	10	\$16,427.61	\$10,665.32	1.54

10
11

12 *Recommendations*

13 88. The last approved budget of \$20,000 for the heat pump program was approved in
14 Decision No. 71274. Actual rebate expenses for 2011 according to the DSM Annual Report filed
15 March 2012 were \$34,900 and actual rebate expenses for 2012 were \$23,600. Budget dollars from
16 the Touchstone Energy Home inspections program were reallocated to the Heat Pump Program to
17 allow for the increase in demand for the heat pump rebates. The increase in the proposed budgets
18 accounts for an increase in the number of heat pump installations and also allows for 10 heat pump
19 water heater installations. The proposed budget for 2013 is \$150,000 and \$125,000 for 2014 as
20 noted which represents a significant increase from prior years' budget. Only \$5,000 of that increase
21 is budgeted for the heat pump water heater. Staff recognizes there is a large amount of interest in
22 this program especially with the addition of a new measure; however, Staff is concerned that the
23 level of increase to the budget may be unattainable. Staff has recommended continuation of the
24 current program along with implementing the new Heat Pump Water Heater rebate at a budget level
25 of \$75,000 in 2013 and 2014.

26 SMART GRID SUPPLY & DSM PROJECTS

27 89. On August 6, 2009, SSVEC submitted an application to the DOE for a \$64.5 million
28 Smart Grid Investment Grant under a joint effort entitled Arizona's Cooperative Grid

1 Modernization Project with Southwest Transmission Cooperative ("SWTC") and Mohave Electric
2 Cooperative ("MEC"). SWTC is considered the lead on the project. MEC and SSVEC are sub-
3 recipients of the grant.

4 90. The agreement is a grant and provides reimbursement of 50% of the funds expended
5 in DOE-approved projects. SSVEC anticipates \$22,143,819 in reimbursement provided the
6 approved projects are completed within the three-year period of performance timeframe established
7 by the DOE. SSVEC does not include these funds in its DSM budget but rather utilizes the funds to
8 multiply the DSM budget funds where the grant programs overlap with the approved DSM
9 programs. Current projects within the Smart Grid Supply & DSM Projects area include: kilowatt-
10 hour monitors available for check-out from the local libraries, direct load control devices, irrigation
11 pump efficiency improvements, web portal access for billing, payments, and usage information, and
12 mercury vapor change-outs.

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BUDGET

SSVEC, INC.					
2012-2014 EE BUDGET					
	SSVEC Actuals	SSVEC Proposed	SSVEC Proposed	Staff Proposed	Staff Proposed
	2012	2013	2014	2013	2014
Residential Programs					
Improvement Loan Program	\$161,186	\$339,000	\$375,000	\$339,000	\$339,000
Touchstone Home Program	\$4,378	\$50,000	\$50,000	\$50,000	\$50,000
Energy Audits	\$128,761	\$70,000	\$70,000	\$70,000	\$70,000
Meter Miser Guide	\$0	\$10,000	\$10,000	\$10,000	\$10,000
Refrigerator Recycling Program	\$0	\$70,000	\$67,000	\$70,584	\$70,584
LIW Program	\$0	\$125,000	\$50,000	\$150,000	\$75,000
On-Demand Hot Water Circulating Pump	\$0	\$25,000	\$15,000	\$0	\$0
Non-Residential Programs					
Improvement Loan Program	\$24,909	\$250,000	\$220,000	\$150,000	\$150,000
Energy Audits	\$3,313	\$12,000	\$12,000	\$12,000	\$12,000
Lighting Incentive	\$0	\$125,000	\$70,000	\$125,000	\$70,000
Both Residential & Non-Residential Programs					
Water Heater Rebate Program	\$1,800	\$40,000	\$32,000	\$40,000	\$32,000
Heat Pump Program	\$23,600	\$150,000	\$125,000	\$75,000	\$75,000
DSM Expenses					
Advertising Budget	\$32,492	\$75,000	\$75,000	\$75,000	\$75,000
Miscellaneous Budget	\$5,791	\$20,157	\$10,000	\$20,157	\$10,000
Administration	\$27,638	\$75,000	\$60,000	\$75,000	\$60,000
Program Development	\$16,866	\$30,000	\$10,000	\$30,000	\$10,000
Total Program Cost/Yr (Budget)	\$430,734	\$1,466,157	\$1,251,000	\$1,291,741	\$1,108,584
Accumulated Cost 2013-2014 (Budget)		\$1,466,157	\$2,717,157	\$1,291,741	\$2,400,325

91. The above table details SSVEC's proposed energy efficiency budget for 2013 and 2014 and Staff's recommended budget which removes funding for those programs not cost-effective. Staff's proposed budget for 2013 represents an increase of approximately \$860,000 or approximately a 200% increase over 2012 actuals. Staff's proposed budget for 2014 represents an increase of approximately \$680,000 which is approximately one and one-half times higher than the actuals for 2012. Given the number of new measures SSVEC is proposing that have a benefit-cost ratio greater than one; Staff has recommended approval of the Staff-proposed budget as stated above.

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92. Given that the On-Demand Hot Water Circulating Pump proposed by SSVEC was not considered cost-effective at this point in time, Staff has adjusted the projected savings SSVEC may reach in 2013 and 2014 below.

PROJECTED ENERGY EFFICIENCY SAVINGS (with recommended measures)					
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actual/Projected Sales (kWh)	819,287,674	835,766,567	853,740,000	887,899,000	906,249,000
Required Savings* (%)		0.94%	2.25%	3.75%	5.44%
Required Savings From Prior Year Sales (kWh)		7,680,822	18,804,748	32,015,250	48,279,508
Existing Energy Efficiency Programs Savings (kWh)		243,162	150,536	150,536	150,536
Proposed New Program Energy Efficiency Savings (kWh)**		0	0	3,064,296	1,375,479
Total Savings Per Year (kWh)		243,162	150,536	3,214,832	1,526,015
Total Cumulative Savings (kWh)		243,162	393,698	3,608,530	5,134,545
Savings (%)		0.030%	0.047%	0.423%	0.578%
Difference Between Required Savings and Projected/Actual Savings (kWh)		7,437,660	18,411,050	28,406,720	43,144,963

*Cooperatives are only required to meet 75% of the percentage savings goals.

**New program savings do not include any kWh savings for the On-Demand Hot Water Circulating Pump and only counts savings for the Meter Miser Guide for the first year with no new customers making behavioral changes in year two as the life span of behavioral changes is estimated to be one year.

BUDGET SHIFTING

93. SSVEC has requested the ability to shift approved funds between cost-effective programs based on program activity and where this would not result in an increase in the approved total annual budget. Staff understands that allowing funding shifts among programs or measures allows the utility more flexibility in reaching the established energy efficiency savings standards. Staff has recommended that SSVEC be allowed to shift up to 25% of the program's budgeted funds between approved energy efficiency programs with the exception that the dollars allocated to the Low Income Weatherization program should not be allocated to any other program.

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1 MEASUREMENT, EVALUATION, AND RESEARCH ("MER")

2 94. In its application, SSVEC requested that the reporting requirements outlined in
3 A.A.C. R14-2-2409 supersede the reporting requirements detailed in Decision No. 71274 dated
4 September 8, 2009 and Decision No. 58358 dated July 23, 1993. The reporting requirements
5 outlined in Decision No. 71274 state that SSVEC is required to file its DSM surcharge filing on
6 March 1st each year (with the surcharge taking effect June 1st of each year) and its semi-annual
7 DSM reports on March 1st and September 1st of each year.

8 95. SSVEC also requested the reporting requirements outlined in A.A.C. R14-2-2418
9 supersede the reporting requirements detailed in Decision Nos. 71274 and 58358. Specifically,
10 SSVEC is requesting to file its energy efficiency plans, along with the above mentioned DSM
11 surcharge filing, in each odd year to cover a two year program period. A.A.C. R14-2-2418 allows
12 for a cooperative to file on June 1st of each odd year or annually at the cooperative's choice its
13 energy efficiency plan applicable to the next one or two years.

14 96. Staff agrees that, in order to avoid confusion and duplicative filings, the reporting
15 requirements detailed in A.A.C. R14-2-2409 supersede those reporting requirements outlined in
16 Decision Nos. 71274 and 58358 so that SSVEC would be required to file annual DSM reports on
17 March 1st and mid-year update reports on September 1st of each year. In addition, Staff recognizes
18 that A.A.C. R14-2-2418 allows for a cooperative to file a new energy efficiency plan on June 1st of
19 each odd year, and Staff has recommended A.A.C. R17-2-2418 supersede those energy efficiency
20 plan filings detailed in Decision Nos. 71274 and 58358. In addition, Staff has recommended the
21 Company should suspend or discontinue a program or measure upon determining it to be no longer
22 cost-effective. The Company should notify Staff in advance of suspending or discontinuing a
23 program or measure. Once a program or measure is suspended or discontinued, the Company must
24 file acknowledgement in the docket.

25 97. Staff further agrees that allowing SSVEC to incorporate into its energy efficiency
26 plan filings its new proposed DSM adjustor rate would not be detrimental to ratepayers. At a
27 minimum, SSVEC is required by A.A.C. R14-2-2418 to file a new energy efficiency plan on June
28 1st of each odd year. SSVEC can opt to file a new energy efficiency plan every year. By

1 incorporating the DSM adjustor rate filing into the energy efficiency plan filing, SSVEC is required
2 to monitor the balance in its DSM account to file for a change to the adjustor every other year.
3 Staff has recommended that SSVEC's DSM adjustor rate be incorporated into its energy
4 efficiency plan filings in accordance with A.A.C. R14-2-2418 and that these filing requirements
5 supersede the annual DSM surcharge filing outlined in Decision No. 71274.

6 DSM SURCHARGE

7 98. On March 22, 2012, in compliance with Decision No. 71274, SSVEC filed to
8 maintain the DSM adjustor surcharge at the rate approved in Decision No. 71274 (\$0.00088 per
9 kWh). With the filing of the updated SSVEC EE Plan on February 29, 2012, SSVEC is not
10 requesting to change the DSM adjustor surcharge at this point in time. Based on the estimated
11 carry over balance in the DSM account, the estimated collection of DSM surcharge dollars, and the
12 estimated loan repayment dollars, SSVEC believes the current DSM surcharge rate of \$0.00088 per
13 kWh will cover the increase in budget for 2013 and 2014 with the addition of new energy efficiency
14 programs.

15 99. Staff has reviewed the calculation SSVEC has made in establishing no change to the
16 current surcharge. Staff is in agreement that a rate of \$0.00088 per kWh will be sufficient to cover
17 the Staff proposed budget for 2013 and 2014 based on the sales estimates provided by SSVEC.

18 WAIVER REQUEST

19 100. In its updated plan filed on February 29, 2012, SSVEC requested a waiver under the
20 provisions of A.A.C. R14-2-2419 from the savings percentage mandates set for cooperatives in
21 A.A.C. R14-2-2418. SSVEC indicated that it has had an ongoing DSM plan for over thirty years.
22 The savings attributed to energy efficiency prior to the inception of the energy efficiency rules
23 cannot be counted toward meeting the energy efficiency goals until 2016 and is capped at that point
24 at 4% of 2005 retail energy sales. In addition, SSVEC stated that its incremental cost to increase
25 the percentage of energy saved would be contrary to the cost effectiveness standards set forth in
26 A.A.C. R14-2-2412 because it has been actively promoting energy conservation for numerous
27 years. SSVEC further requested a permanent waiver under the provisions of A.A.C. R14-2-2419

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1 subject to the Commission approving subsequent conservation goals in its future energy efficiency
2 plan proposals as a substitute to the provisions of R14-2-2418.

3 101. In the amendment filed by SSVEC on August 2, 2012, SSVEC requested a waiver
4 from the cumulative EE rule requirements. SSVEC stated that with the DSM programs that have
5 been in place since 1993 at SSVEC, the Company has already implemented programs which have
6 the least cost but yield the greatest energy savings and, as mentioned above, those savings cannot
7 be included toward meeting the energy efficiency goals until 2016 and there is a cap as to the
8 percentage which can be included. SSVEC also indicated in its amendment that it has an average
9 monthly kWh consumption lower than the national average for residential customers. Also in the
10 amendment, as a condition of receiving a waiver from the cumulative EE requirement, SSVEC
11 agreed to file a biennial EE plan in compliance with the EE rules that will contain EE goals, a
12 budget and a surcharge that is appropriate for its members and service area.

13 102. Staff calculated that actual 2011 savings were 0.030% of prior year retail energy
14 sales. Actual 2012 savings are 0.047% of prior year retail energy sales. Even with the
15 implementation of new programs in 2013 and 2014, Staff's analysis estimates that SSVEC will only
16 reach 0.578% of prior year retail energy sales by the end of year 2014. Staff recognizes SSVEC's
17 ongoing efforts in implementing cost-effective energy efficiency programs that are beneficial to all
18 customer classes. Staff also realizes that there is a break-even point at which more budget dollars
19 will not result in reaching the cooperative energy efficiency standard of 5.44% of prior year retail
20 energy sales. Staff has recommended a waiver be granted to SSVEC of the EEE Standards
21 established in A.A.C. R14-2-2418 for the calendar years 2012, 2013, and 2014. Waivers of future
22 years' requirements can be evaluated during future years' implementation plan reviews.

23 103. Staff has recommended that SSVEC implement its plan as modified by Staff above
24 for the remainder of 2013 and all of 2014 calendar years and be required to file its next energy
25 efficiency plan no later than June 1, 2015 pursuant to A.A.C. R14-2-2418. Also, as indicated
26 above, Staff has recommended that A.A.C. R14-2-2418 supersede those reporting requirements
27 outlined in Decision Nos. 71274 and 58358 so that SSVEC would be required to file DSM reports
28 on March 1st and September 1st of each year, and the proposed changes to the DSM adjustor rate

1 should be incorporated into the energy efficiency plan filings rather than SSVEC having to file its
2 new proposed DSM adjustor rate with Docket Control by March 1st of each year.

3 104. In addition, Staff has recommended that the SSVEC EE Plan filed in compliance
4 with A.A.C. R14-2-2418 be considered sufficient in meeting the requirements of R14-2-213.

5 105. We support energy efficiency but we think the process could and should be
6 improved. We are not convinced that the current method of cost-effective analysis is the best way
7 to ensure that ratepayer money is being invested in a prudent manner. We think there should be
8 further discussion, outside of this implementation plan, to more fully explore the various options
9 that could better analyze cost efficiency. We look forward to the opportunity to make sure that
10 energy efficiency programs are truly cost effective.

11 106. As stated earlier, Staff's analysis estimates that SSVEC will only reach 0.578% of
12 prior year retail energy sales, by the end of 2014, if all proposed programs are approved, even
13 though the Energy efficiency standard calls for 5.44%. In fact, SSVEC has not been able to achieve
14 the EE Standard targets, each year, which led Staff to propose a waiver from the EEES Standards.
15 Even the most ambitious implementation plans cannot reach the EE Standards. We feel that this is
16 one of many reasons why the entire EE process needs to be reviewed and possibly reformed.

17 107. We approve a \$200,000 budget for the Energy Efficient Improvement Loan
18 Program, for 2013 and each year thereafter until further order of the Commission. We approve a
19 \$50,000 budget for the Residential Energy Management Program, for 2013 and each year thereafter
20 until further order of the Commission, but decline to approve the Meter Miser Guide measure. We
21 decline to approve the Refrigerator Recycling Program. We decline to approve the Low Income
22 Weatherization Program. We approve a \$4,500 budget for The C&I Energy Management Energy
23 Audits, for 2013 and each year thereafter until further order of the Commission. We decline to
24 approve the Commercial and Industrial Lighting Incentive Program. We approve a \$25,000 budget,
25 in 2013 and each year thereafter until further order of the Commission, for the Water Heater Rebate
26 Program. We approve a \$20,000 budget for the Heat Pump Program for 2013 and each year
27 thereafter until further order of the Commission.

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CONCLUSIONS OF LAW

1. Sulphur Springs Valley Electric Cooperative, Inc. is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Sulphur Springs Valley Electric Cooperative, Inc. and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated April 9, 2013, concludes that it is in the public interest to approve Sulphur Springs Valley Electric Cooperative Inc.'s proposed 2012-2013 Energy Efficiency Implementation Plan with the modifications described herein.

ORDER

IT IS THEREFORE ORDERED that Sulphur Springs Valley Electric Cooperative Inc.'s proposed 2012-2013 Energy Efficiency Implementation Plan be adopted as modified by this Decision for 2013 and each year thereafter until further order of the Commission.

IT IS FURTHER ORDERED that the budget for the Residential Energy Efficient Improvement Loan remain at \$200,000 for 2013 and each year thereafter until further order of the Commission.

IT IS FURTHER ORDERED that a \$50,000 budget, in 2013 and each year thereafter until further order of the Commission, for the Residential Touchstone Energy Efficient Home Program is approved.

IT IS FURTHER ORDERED that the budget for the Residential Energy Management Program remains at \$50,000, in 2013 and each year thereafter until further order of the Commission, and the Meter Miser Guide as a new measure is not approved.

IT IS FURTHER ORDERED that the Residential Refrigerator Recycling Program with the budget modifications recommended by Staff in Finding of Fact 40 is not approved.

IT IS FURTHER ORDERED that the Residential Low Income Weatherization Program with the modifications recommended by Staff in Findings of Fact 46, 47, 48, and 49 is not approved.

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1 IT IS FURTHER ORDERED that the Residential On-Demand Hot Water Circulating Pump
2 Program is not approved.

3 IT IS FURTHER ORDERED that the Commercial & Industrial Energy Efficient
4 Improvement Loan Program, with a budget of \$150,000 for 2013 and each year thereafter until
5 further order of the Commission is approved.

6 IT IS FURTHER ORDERED that the budget for the Commercial & Industrial Energy
7 Management Program remain at \$4,500 for 2013 and each year thereafter until further order of the
8 Commission.

9 IT IS FURTHER ORDERED that the Commercial & Industrial Lighting Incentive Program
10 is not approved.

11 IT IS FURTHER ORDERED that the budget for the Residential & Non-Residential Energy
12 Efficient Water Heater Rebate Program remain at \$25,000 for 2013 and each year thereafter until
13 further order of the Commission.

14 IT IS FURTHER ORDERED that the budget for the Residential & Non-Residential Energy
15 Efficient Heat Pump Program remain at \$20,000 for 2013 and each year thereafter until further
16 order of the Commission.

17 IT IS FURTHER ORDERED that the total budget be \$549,657 for 2013 and each year
18 thereafter until further order of the Commission.

19 IT IS FURTHER ORDERED that the DSM surcharge be decreased to \$0.00027 per kWh.

20 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative Inc.'s
21 request for waiver of the Energy Efficiency Standard is granted for calendar years 2012, 2013 and
22 2014.

23 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. follow
24 reporting requirements as outlined in A.A.C. R14-2-2418 and those reporting requirements
25 supersede any reporting requirements outlined in Decision Nos. 71274 and 58358.

26 IT IS FURTHER ORDERED that should Sulphur Springs Valley Electric Cooperative, Inc.
27 suspend or discontinue a program or measure upon determining it to be no longer cost-effective, the
28 Company should notify Staff in advance of suspending or discontinuing a program or measure.

IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. not file its next Energy Efficiency Implementation Plan until further order of the Commission.

IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc.'s 2012-2013 Energy Efficiency Implementation Plan as modified by this Decision filed in compliance with A.A.C. R14-2-2418 is hereby deemed sufficient in meeting the filing requirements of A.A.C. R14-2-213.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

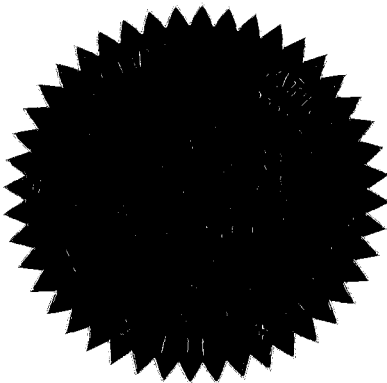
CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 21st day of June, 2013.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:RSP:sms/WVC

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